



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 4/17/2008

GAIN Report Number: UY8002

Uruguay

Oilseeds and Products

Annual

2008

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Report Highlights:

The 2008/09 soybean harvested area is forecast to reach 540,000 hectares, an increase of 20 percent from the estimated 464,000 hectares for the 2007/08 crop. Production for 2008/09 is forecast at 1,080,000 tons, up from the estimated 895,000 tons for 2007/08. The current crop is approximately 40 percent harvested and yields are expected to average around 2 tons/hectare. Exports are expected to increase in-line with production due to a very stable consumption and limited crushing activities in Uruguay.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1]
[UY]

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Executive Summary

For the 2008/09 soybean crop, analysts are forecasting increases in planted area as high as 25 percent. Factors influencing increased production in the coming year include elevated returns to producers, increased interest of Argentine producers in expanding production to Uruguay (due to increased export taxes in Argentina), and a large availability of land apt for conversion to production agriculture. In addition, as cattle production on pasture has proven less profitable than soybean production, additional shifts out of cattle pastures into soybean cultivation are expected.

Argentina's recent March 11, 2008 policy change to a variable export tax regime is making Uruguay even more attractive to Argentine investment. Internal Uruguayan prices exactly reflect international prices, while Argentine prices received by producers are reduced due to the export tax.

Although sunflower area has fallen in recent years due to stem canker, Post expects that area will expand in the 2008/09 crop year due to high international prices and availability of more resistant varieties.

Production

Reports indicate that the 2007/08 crop is currently about 40 percent harvested. It is estimated that total production will reach 895,000 tons from a harvested area of 448,000 hectares. The crop has developed well with few pest or disease problems and it is expected that yields for this campaign will average around 2 tons/hectare. However, yields are varied across the main producing region, with the area south of Rio Negro in the "Litoral Oeste" (the main soybean production region) showing signs of yields as low as 1,000 to 1,500 kilos per hectare due to dry weather during the growing period. However, the area north of Rio Negro is expected to have higher than average yields that are estimated around 2,500 kilos/hectare. In the past few days, cold weather with short periods below freezing across some parts of the soybean region will likely have a small negative impact on yields of second-crop soybeans as those plants have not yet reached full grain fill. The extent of that damage, however, is expected to be relatively small.

Post forecasts that the 2008/09 crop will increase planted area by 20 percent reaching 540,000 hectares. Assuming average yields of 2 tons/hectare, Post forecasts production to reach 1,080,000 tons.

Post expects area to increase next year due to continued high international prices, export tax changes in neighboring Argentina that will create incentives for increased investment in Uruguay by Argentine farmers and a large amount of productive land that has high potential for conversion into soybean cultivation. Reports indicate that, currently, about half of Uruguay's soybean production is carried out by foreign investors. In early 2008, Uruguay passed new legislation clarifying rules to promote investment (Ley de Inversiones – Ley 16.906). In addition, some agricultural commodities receive a 2-percent tax rebate over FOB price (wheat, corn, and sorghum), which attracts foreign investors. Although oilseeds do not receive that rebate, significant increases in foreign investment for soy production are expected due to Uruguay's free-market approach with respect to agricultural production and trade. Post contacts indicate that Uruguay has around 4.5 million hectares of land that is apt for crop production – 2 million of which is very good. Given the current area planted to soybeans, there is enormous potential for increases in area planted to soy given its profitability compared to alternative crops.

Since 2002, sunflowerseed area has fallen more than 70 percent due to the widespread appearance of phomopsis (stem canker) in the productive areas. It is estimated that 2007/08 production will reach 50,625 tons on harvested area of 37,500 hectares. The current harvest is about 70 percent completed. Post forecasts that 2008/09 production will see an increase in area planted of around 10-15 percent, mainly due to high prices and new genetics and varieties that seem to be more resistant to the plague.

Consumption

Soybean domestic demand continues to be driven by protein meals for the feed industry. Although consumption has been relatively stable, recent increases have come from the dairy and beef industries. Increased concentration of cattle on feed lots, as pasture land has been converted to production agriculture has also contributed to the increase. Finally, increased interest in biofuels may lead to increased demand for soybean oil. Post contacts indicate that there are currently a few small biodiesel plants across Uruguay that demand small quantities of soybean oil (around 1,000 to 2,000 tons). Projections are that there will be growth; and as that industry develops, additional oil supplies could be demanded by the sector.

All crushing products (oils and meals) are consumed domestically. Uruguay is a net importer of soybean oils and meals. There have not been any developments in the crushing industry in Uruguay. Post contacts indicate that total crushing capacity (soybean and sunflowerseed) remains around 100,000 tons annually. Uruguayan crushing facilities cannot easily compete with neighboring Argentina due to the economy of scale of Argentina's crushing industry, combined with its differential export tax structure that benefits its domestic processing sector. Post contacts indicate that crushing costs in Uruguay average around US\$25-\$30 per ton, compared to Argentina's US\$7-\$8 per ton. As such, incentives heavily favor exports of raw soybeans.

Post estimates 2007/08 soybean crush at 25,000 tons. Post forecasts 2008/09 soybean crush to remain constant at 25,000 tons.

Post forecasts 2007/08 oil and meal consumption at 23,000 and 110,000 tons, respectively. For 2008/09, soybean oil consumption is forecast at 24,000 tons, while meal consumption is forecast to reach 125,000 tons.

Trade

Uruguayan soybean production continues to be destined almost exclusively to the export market. Post expects soybean exports to increase in concert with the production increase forecast for next year as internal consumption of soybeans is not expected to increase, leaving a larger exportable supply. Due to expected similar crushing levels as previous years, Post expects imports of meals and oils to provide stocks necessary to cover increases in consumption.

Practically all of Uruguay's soybean exports leave through the Nueva Palmira trade zone located on the Uruguay River in western Uruguay.

Post estimates 2007/08 soybean exports at 870,000 tons, based on increased production. Major markets will remain the same.

Post forecasts 2008/09 soybean exports up to 1,050,000 tons, based on increased production and its small and stable domestic consumption, which lead to a higher exportable supply.

Uruguay continues to be a net importer of soybean oil and meal. Soybean oil imports for 2007/08 are estimated at 18,000 tons. Imports of soybean oil are forecast to slightly increase to 19,000 tons in 2008/09 due to a small expected increase in demand by the developing biofuels industry.

Post estimates 2007/08 soybean meal imports at 90,000 MT, up slightly from the previous year due to increased demand for feed. Soybean meal imports for the 2008/09 are forecast to increase to 105,000 tons. These increases are contributed to a growing demand for animal feed in the livestock and dairy sectors.

PSD Table

Country Commodity	Uruguay						(1000 HA)(1000 MT)			UOM
	2006	Revised		2007	Estimate		2008	Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		04/2007	04/2007		04/2008	04/2008		04/2009	04/2009	MM/YYYY
Area Planted	370	0	370	400	0	454	0	0	540	(1000 HA)
Area Harvested	366	0	366	400	0	448	0	0	536	(1000 HA)
Beginning Stocks	21	0	21	34	0	59	29	0	44	(1000 MT)
Production	778	0	818	810	0	895	0	0	1080	(1000 MT)
MY Imports	10	0	10	10	0	10	0	0	10	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	809	0	849	854	0	964	29	0	1134	(1000 MT)
MY Exports	725	0	740	775	0	870	0	0	1050	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Crush	25	0	25	25	0	25	0	0	25	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	25	0	25	25	0	25	0	0	25	(1000 MT)
Total Dom. Cons.	50	0	50	50	0	50	0	0	50	(1000 MT)
Ending Stocks	34	0	59	29	0	44	0	0	34	(1000 MT)
Total Distribution	809	0	849	854	0	964	0	0	1134	(1000 MT)
CY Imports	9	0	9	9	0	9	0	0	9	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exports	730	0	745	780	0	875	0	0	1060	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

PSD Table

Country Commodity	Uruguay						(1000 MT)(PERCENT)			UOM
	2006	Revised		2007	Estimate		2008	Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		04/2007	04/2007		04/2008	04/2008		04/2009	04/2009	MM/YYYY
Crush	25	0	25	25	0	25	0	0	25	(1000 MT)
Extr. Rate, 999.9999	0.8	0	0.8	0.8	0	0.8	0	0	0.8	(PERCENT)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Production	20	0	20	20	0	20	0	0	20	(1000 MT)
MY Imports	75	0	75	90	0	90	0	0	105	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	95	0	95	110	0	110	0	0	125	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	95	0	95	110	0	110	0	0	125	(1000 MT)
Total Dom. Cons.	95	0	95	110	0	110	0	0	125	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	95	0	95	110	0	110	0	0	125	(1000 MT)
CY Imports	80	0	80	90	0	90	0	0	100	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
SME	95	0	95	110	0	110	0	0	125	(1000 MT)

PSD Table

Country Commodity	Uruguay						(1000 MT)(PERCENT)			UOM
	2006	Revised		2007	Estimate		2008	Forecast		
Market Year Begin	USDA Official	Post Estimate 04/2007	Post Estimate New 04/2007	USDA Official	Post Estimate 04/2008	Post Estimate New 04/2008	USDA Official	Post Estimate 04/2009	Post Estimate New 04/2009	MM/YYYY
Crush	25	0	25	25	0	25	0	0	25	(1000 MT)
Extr. Rate, 999.9999	0.2	0	0.2	0.2	0	0.2	0	0	0.2	(PERCENT)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Production	5	4	5	5	0	5	0	0	5	(1000 MT)
MY Imports	17	17	17	18	0	18	0	0	19	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	22	21	22	23	0	23	0	0	24	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	22	21	22	23	0	23	0	0	24	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Cons.	22	21	22	23	0	23	0	0	24	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	22	21	22	23	0	23	0	0	24	(1000 MT)
CY Imports	17	0	17	17	0	17	0	0	18	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)